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Iraq: International Trade and Trade Routes

Although trade through Syria has expanded rapidly since the border was reopened late last year, about two-thirds of Iraqi oil exports and an estimated 85 percent of other trade still moves through the Persian Gulf. Oil for export is loaded at either Mina al-Bakr or Khor al-Amaya, two offshore loading facilities connected by underwater pipelines to the tank farm and distribution center at al-Fao. About two-thirds of all non-oil sea cargo passes through the Shatt-al-Arab a waterway shared by Iran, to Basrah, Iraq's principal port. The balance is handled at Um Qasr, located on an inlet adjacent to the Kuwaiti border. [REDACTED]

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There is no possibility of completely diverting Iraqi oil exports to Mediterranean ports. The port of Banias in Syria, which is linked to Iraq by pipeline, has a crude export capacity of 400,000 to 700,000 b/d depending upon the volume of gasoil imports into Syria. The terminus of the Iraq/Turkey pipeline at Ceyhan has a capacity of 700,000 b/d. At most, therefore, only 1.4 million b/d of Iraq's present 3.0-3.3 million b/d of crude exports could be handled at Mediterranean ports. At current prices exports of 1.5 million b/d will provide ample financing for basic Iraqi consumption, investment and security requirements. Accordingly, Baghdad might elect to suspend most or all of its exports through the Persian Gulf if costs or risks escalated substantially. [REDACTED]

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From the Iraqi point of view, interdiction of commodity imports would have far more serious implications. Iraq has been a net food importer for a number of years. Recently lack of other consumer goods has become a principal sore point with Iraq's burgeoning middle class, prompting President Saddam Hussein to relax restrictions on imports and other austerity measures that have thus far characterized the Baathist regime. Meanwhile an estimated \$1 billion is being transferred out of the country clandestinely by Iraqis, primarily to purchase consumer goods abroad. [REDACTED]

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On the other hand, essential consumer goods probably could be shipped overland if ocean transport were disrupted. In response to reopening of the Iraqi-Syrian border a year ago, the port of Tartous in Syria has been handling an additional 2500 trucks monthly ferried over from Greece.

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Much of this trade is believed to have been diverted from more expensive overland routes through Turkey, indicating that excess capacity now exists in trans-Turkey rail and highway transport. An excellent highway from Kuwait that connects with the Iraqi road and rail systems at both Zubair and Basrah may also offer a less vulnerable option to the Shatt al Arab trade route. Any of these alternatives might well involve a serious slowdown in delivery of heavy equipment. While investment unquestionably would suffer, output from existing facilities might be relatively unaffected for an extended period of time. In most sectors Iraq has stockpiled a two-three months supply of essential inputs and replacement parts.

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